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INTERDEPENDENCE AND GLOBAL ECONOMIC ISSUES FROM A TRADE AND DEVELOPMENT PERSPECTIVE: RETHINKING DEVELOPMENT STRATEGIES; SOME LESSONS FROM EAST ASIAN DEVELOPMENT EXPERIENCE

Draft President's summary

1. The debate on this item was rich and informative. It addressed a number of general policy issues concerning globalization and liberalization as well as more specific policy issues in its discussion of agenda item 3, "Interdependence and global economic issues from a trade and development perspective: Rethinking development strategies; some lessons from East Asia", using the Trade and Development Report 1996 as background. The debate also included a lively informal panel debate with outside experts whose views greatly contributed to a deeper understanding of the issues. However, some delegations regretted that translations of the Trade and Development Report into all the working languages of the United Nations were not available before the convening of the Board, which made adequate preparation for the discussion difficult for some Governments.

2. The Trade and Development Report 1996 was well received by delegations and commended for its high standards of analysis. Most delegations expressed satisfaction that its analysis of global interdependence issues from a development perspective reflected the consensus reached at UNCTAD IX. There was particular support for UNCTAD's efforts to analyze successful development experiences, drawing

out lessons that may be of value to other countries, and in particular the least developed countries. Several delegations expressed the opinion that taking these lessons from an analytical to a more action-oriented stage was the natural progression for this line of enquiry. A number of delegations felt that an examination of the successful experiences in other regions, including Latin American and the more successful least developed countries, and any appropriate lessons drawn for other countries, should take into full account particular social and political conditions as well as differences in levels of development.

3. The discussion on East Asian experiences was greatly strengthened by contributions from that region. Several delegations believed that sharing their experiences with other developing countries provided not only policy options for others currently facing daunting development challenges, but also a basis for more effective technical and financial assistance from the more advanced economies of East Asia. These delegations were generally very supportive of the analysis offered in the Trade and Development Report as a means of shedding further light on the particular mix of market mechanism and government policies used to coordinate a process of rapid economic growth and industrialization. Particular emphasis was given to the policies used to promote investment and exports, as well as to upgrading technologies, strengthening training and improving human capital. The critical role played by higher rates of private sector investment as well as investments in public infrastructure in removing supply constraints was generally recognized as being a central lesson which should be taken from East Asia to other developing countries. The positive role of selective foreign direct investment policies in this context was also recognized, but several delegations expressed the need for further empirical studies and research on the links between liberalization, foreign direct investment, technology and development, in light of East Asian experiences.

4. There was agreement that the role of the market as a basis of economic growth was now better appreciated by policy-makers in developing countries. While some delegations noted that there is a substantial overlap between the classical structural adjustment agenda and many features in the Asian success story, others argued that the dynamism of the "Asian Miracle" cannot be adequately defined by the functional approach advocated by the Bretton Woods institutions, and they expressed concern that the complementary and, when appropriate, the corrective role of the State had been unduly neglected in much recent discussion of development policy and the structural adjustment programmes. It was argued that a new generation of structural adjustment programmes in Africa should address the lessons from East Asian experience. However, some delegations from East Asia cautioned against an uncritical assessment of their experiences, recognizing that mistakes had been made and that these needed to be included in the learning process.

5. The question of how the East Asian economies had used external resources to strengthen their domestic growth dynamic was a particular concern of many delegations. Access to markets, foreign capital and technologies were also cited as integral to successful development in all the East Asian economies. A number of delegations expressed doubts as to the possible use of more selective trade and industrial policy measures, of the kind which appear to have been used by some East Asian economies, in the context of a new trading environment where increased liberalization has reduced the autonomy of the State to formulate its national economic policy, and they urged the secretariat to undertake work to determine more specific policy actions that are compatible with the Uruguay Round Agreements.

6. The optimistic stance adopted in this year's Trade and Development Report concerning the global environment for export-oriented industrialization met with some scepticism from several delegations. While there was agreement that globalization opened up many new opportunities for developing countries, some delegations believed that there was also an increased risk of marginalization. Several delegations saw the international economic and trade environment as much less conducive today as compared with the period when East Asia began its take-off into sustained economic growth. A combination of factors, including slower growth in the advanced economies, increased protectionism and much greater competition among developing-country exporters were identified as contributing to this changed environment.

7. In the light of new global obstacles facing policy-makers in developing countries, many delegations expressed interest in the regional dimension of East Asian success in which trade and investment had acted as vehicles to transfer growth impulses among countries at different levels of development. Several delegations discussed their own renewed efforts in this direction, and particularly the step-by-step approach that was being adopted. A number of delegations urged further work on this aspect of East Asian success and its implications for development strategies more generally.

8. The idea put forward in the Trade and Development Report that a marketing-cum-information service could help many newly industrializing economies in formulating their export strategies by monitoring the market conditions of certain labour-intensive manufactures met with mixed responses. A number of delegations noted that this task is already an important activity within ITC and in bilateral development assistance. However, some delegations encouraged further reflection by the secretariat on this issue.

9. Opinions concerning the short and medium-term prospects of the world economy differed quite sharply. For some, substantial progress in terms of global stability was beginning to translate into more sustainable growth, particularly in the North. The recent growth performance in Africa and Latin America also showed encouraging signs from this perspective. However, on other assessments the overall growth rate of the world economy was still too low and recovery in many parts of the world was still of too short a duration to make firm predictions about future trends. A number of delegations raised the concern that deflationary policies adopted by the developed countries and insistence on countering perceived inflationary pressures had contributed to slow growth in the world economy in view of the fact that the major industrial countries still account for three quarters of world output. Some delegations feared that the persistence, or even rise, of unemployment in these countries could generate pressures to reverse commitments made in the Uruguay Round Agreements, threatening the kind of export-led growth strategies followed in East Asia. Other delegations were of the view that fiscal consolidation was one of the core tasks of economic policy and that lower interest rates and more positive long-term expectations would promote growth in the world economy.

10. Among the constraints currently facing developing countries, many delegations cited the debt problem. Coverage of the debt issue in the Trade and Development Report was applauded and described as a good and accurate overview of the initiative under way in the Bretton Woods institutions. A number of delegations expressed their gratitude to UNCTAD for its helpful work on debt management and in the Paris Club negotiations. Some delegations made reference to recent proposals at the World bank and International Monetary Fund aimed at easing the debt burden of the least developed countries. While these were warmly received as pushing the discussion in the right direction, a number of delegations felt that more could be done particularly for the heavily indebted poorest countries. They felt that the debt sustainability criteria were still restrictive, and that there was a need for flexibility in determining country eligibility and for a realistic time frame. A few delegations argued that the debt problem should be dealt with by the Bretton Woods institutions, and that the TDR should focus on new priorities agreed in UNCTAD IX.

11. The TDR was also commended for its useful and thought-provoking discussion of the factors influencing international capital flows. The importance of national regulatory frameworks was noted and some speakers argued that, in view of the high volatility of such flows, capital controls may be employed on a temporary basis, but these should be supported by appropriate policy adjustments.

12. A number of delegations pointed to issues not covered in this year's TDR which could be usefully tackled in subsequent issues. These included the impact of policies and economic development on social justice and poverty as well as a more detailed assessment of the export opportunities actually created for developing countries by the Uruguay Round.